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UNCLAS SECTION 01 OF 02 SAN JOSE 001757

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SUBJECT: TOURISM SNAPSHOT IN COSTA RICA

REF: SAN JOSE 01491

1. Summary. The tourism industry is king in Costa Rica, having been the nation's top revenue generator since 2001. The number of tourists coming to Costa Rica continues to increase, with hundreds of thousands of Americans, Canadians, and Europeans flocking to the beaches, volcanoes, and adventure- and eco-tourism sites every year. Despite the importance to the economic health of the nation, the tourism industry and infrastructure that supports it do not receive the attention they deserve. Public investment in infrastructure such as roads and communications lines is not sufficient to keep up with the increasing demand. Despite this fact, the tourists keep coming, placing more wear and tear on the facilities and infrastructure in Costa Rica. See Table One in Paragraph 9 for tourism- related data. End Summary

2. The tourism industry in Costa Rica has been booming in recent years, and since 2001, it has been the number one revenue generator in the country. The industry brought in almost USD 1.1 billion in 2001, increasing to USD 1.4 billion in 2004, according to the Costa Rica Tourism Statistical Yearly Report compiled by the Costa Rica Tourism Board. Costa Rica is the most-visited country in Central America; approximately 1.5 million visitors in 2004, according to the above mentioned report. However, the tourism industry is not getting the serious attention that it deserves. As an investment advisor for the Costa Rican Ministry of Tourism (ICT) points out, "The Administration doesn't appreciate tourism the way it should." Other industries, such as the banana and coffee industries, despite declining in importance with respect to revenues and jobs, are still overshadowing the tourism industry in political culture. This despite tourism's earning more foreign exchange per year than the entire agriculture industry.

3. According to Carlos Lizama, the Vice-President of the Costa Rican Association of Tourism Professionals, the tourism industry provides over 100,000 direct jobs, which is approximately 9 percent of the total employment of private Costa Rican businesses. The available figures for the number of indirect jobs provided vary greatly and are estimated at between 200,000 and 300,000 jobs. This is not insignificant given that the total population is approximately 4 million and the labor force numbers approximately 1.7 million. About 56 percent of the direct jobs are outside the San Jose metropolitan area, which gives the industry a unique role in boosting employment and income outside of the capital area.

4. The industry continues to grow, and in the first quarter of 2005, Costa Rica, according to the World Tourism Organization, received USD 89 million more from tourism than it did in the same quarter in 2004, which represents growth of 17 percent. The growth has not only increased revenue but also has taxed public facilities, and has resulted in an inability to meet demand. "La Nacin," a national daily newspaper, reported that 39,000 tourists were unable to book hotel rooms this past December through April because of an estimated deficit of 1,500 rooms. This phenomenal growth has caught many off guard, and William Rodriguez, the Chairman of the National Chamber of Tourism, remarked that in order for tourism to remain a principal revenue generator and maintain growth, Costa Rica must invest in public facilities including roads and highways.

5. Tourism has consistently brought in more foreign direct investment (FDI) than any sector other than industry, even more than the financial and agricultural sectors (reftel). FDI in tourism reached an all-time high of over USD 111 million (current) in 2001. This increased investment helped spawn the explosion in the number of tourists coming to Costa Rica since 2001 (an increase in tourism of almost 50 percent). However, since the peak in 2001, FDI has declined and, at USD 51 million, has more than halved from its peak in 2001.

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COMMENT  
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16. At this time, Costa Rica has a comparative advantage in Central America in the tourism industry - it has an unequalled reputation regarding the protection of its unique biodiversity and has a long history of peace and stability. Costa Rica has become a victim of its own success: the increasing number of tourists make increasing demands on the infrastructure. These increasing demands (rooms, facilities, roads, internet services, etc.) cannot consistently be met unless a concerted effort is put into place by the GOCR. The decrease in public sector support evidenced not only by the neglect of infrastructure maintenance but also by the lack of attracting more FDI, will have a definite negative impact of the potential growth of the tourism industry in Costa Rica.

17. Despite the explosion in the number of tourist who visit Costa Rica, tourism revenues may soon reach their peak if the Costa Rican government does not pay attention to the needs of the tourism industry and invest in infrastructure, especially in roads and bridges that have been in disrepair for years and continue to deteriorate. Increasing investments by GOCR in tourism-supporting areas will attract more businesses who rely on efficient infrastructures and bring the Costa Rican hospitality industry up to the needed capacity. This will generate more jobs and more revenue for the country.

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TOURISM FIGURES IN THE PAST FIVE YEARS  
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18. TABLE ONE

	2000	2001	2002	2003	2004
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Total Tourists	1,088,075	1,131,406	1,113,359	1,238,692	1,452,926
U.S. Tourists	429,725	429,093	422,215	510,751	633,640
U.S. Tourists (% of Total)	47%	46%	46%	49%	52%
Tourism Revenues (USD mln)	\$1,229	\$1,095	\$1,078	\$1,199	\$1,357
Tourism Revenues (% GDP*)	8%	7%	6%	7%	7%
FDI** Directed to Tourism (USD mln)	\$52.1	\$111.5	\$76	\$88.3	\$51.4
FDI** Directed to Tourism (% Total)	13%	24%	12%	15%	9%

\*Gross Domestic Product, \*\*Foreign Direct Investment  
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